



May 17, 2016

Mr. Lee Squire, Financial Services Manager
City of Brea
1 Civic Center Circle
Brea, CA 92821

Dear Mr. Squire:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Brea Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 27, 2016. Finance issued a ROPS determination letter on April 11, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 19, 2016.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item No. 1 – Brea Mall Expansion in the amount of \$1,745,417. Finance no longer objects to this item. Finance previously denied a portion of the amount requested because it was our understanding that the Agency had been making payments on the obligation based on an alternate agreement, and such agreement is not enforceable. During the meet and confer, the Agency provided additional clarification related to the payment terms outlined in the Owner Participation Agreement (OPA) executed February 5, 1988, which shows that this obligation is not subject to any Tax Increment (TI) Cap and should be calculated based on the formula outlined in the OPA. Per the Agency, \$1,426,352 of the total amount requested represents payment for the Fiscal Year (FY) 2016-17. The additional \$319,065 is an unfunded amount due for the FY 2015-16 that has not been previously requested and remains the liability of the Agency. Therefore, the Agency is approved for \$319,065 in Redevelopment Property Tax Trust Funds (RPTTF) for the July 1, 2016 through December 31, 2016 period (ROPS A period) and \$1,426,352 in RPTTF for the January 1, 2017 through June 30, 2017 period (ROPS B period).
- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E),

agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's consent, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 10 – 2010 Lease Revenue Bonds in the amount of \$1,058,400. The Agency requested \$21,465 from RPTTF and \$72,735 for the ROPS A period; however, per Agency's request during the meet and confer, Finance is reclassifying \$4,652 to Other Funds. This item is an enforceable obligation for the ROPS 16-17B period. However, the obligation does not require payment from property tax revenues and the Agency has \$4,652 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$16,813 and the use of Other Funds in the amount of \$77,387, totaling \$94,200 for the ROPS A period.
- Item No. 45 – Senior Rental Program/Senior Citizen Housing Subsidy Agreement in the amount of \$106,680. The Agency requested \$15,240 from RPTTF for the ROPS B period; however, Finance has previously reclassified \$4,652 to Other Funds. However, during the Meet and Confer process, the Agency requested that the reclassification be applied to Item No. 10 instead. Therefore, Finance reversed the prior reclassification to Other funds for Item No.45 in the amount of \$4,652 resulting in approved RPTTF funding of \$15,240.

In addition, per Finance's letter dated April 11, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 55 – Brea Mall Ring Road Easement Agreement (Agreement) in the total outstanding amount of \$186,080 is partially allowed. It is our understanding the Agency's maintenance obligation under the Agreement transferred to the City of Brea (City) pursuant to OB Resolution No. OB 2015-08, approved by Finance on December 21, 2015. The requested amount of \$4,652 for the ROPS 16-17A period is an enforceable obligation as this represents amounts due before the transfer of the Agreement to the City. However, the requested amount for the ROPS 16-17B period is not approved because this represents amounts due after the transfer of the Agreement to the City. Therefore, maintenance obligations in the amount of \$4,652 are not enforceable obligations and are not eligible for Other Funds on this ROPS.
- Item No. 56 – 2011A Non-Housing Bond Proceeds Funding Agreement funded by 2011 bond proceeds is not allowed. The Agency requested \$668,273 derived from its 2011A Non-Housing Bonds.

Pursuant to HSC section 34191.4 (c) (2), after receiving a finding of Completion, the Agency may expend proceeds derived from bonds issued on or after January 1, 2011 in a manner consistent with the original bond covenants. The Agency received a Finding of Completion on July 9, 2013. Proceeds from the 2011A Non-Housing Bond totaled \$13,365,473.

However, HSC section 34191.4 (c) (2) (A) limits the Agency's expenditure authority to five percent of the 2011 Bond Proceeds until the Agency has an approved Last and Final ROPS. As such, the Agency may only expend \$668,274 from proceeds derived from the 2011A Non-Housing Bonds (\$13,365,473 x 5 %). It is our understanding the Agency

has already expended \$772,376 in proceeds derived from the 2011A Non-Housing Bonds. Therefore, no funding remains available and the Agency's request to spend additional 2011A Non-Housing Bond Proceeds is not allowed at this time.

Except for the items denied in whole or in part or the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

The Agency's maximum approved RPTTF distribution for the reporting period is \$18,316,963 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions. On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Mr. Lee Squire
May 17, 2016
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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Nicole Prisakar, Analyst, at (916) 445-3274.

Sincerely,

A handwritten signature in black ink, appearing to read 'Justyn Howard', with a long, sweeping underline that extends to the left.

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Bill Gallardo, Administrative Services Director, City of Brea
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

| Approved RPTTF Distribution | | | |
|--|----------------------|----------------------|----------------------|
| For the period of July 2016 through June 2017 | | | |
| | ROPS A Period | ROPS B Period | Total |
| Requested RPTTF (excluding administrative obligations) | \$ 422,826 | \$ 17,513,359 | \$ 17,936,185 |
| Requested Administrative RPTTF | 192,715 | 192,715 | 385,430 |
| Total RPTTF requested for obligations on ROPS 16-17 | 615,541 | 17,706,074 | \$ 18,321,615 |
| Total RPTTF requested | 422,826 | 17,513,359 | 17,936,185 |
| <u>Reclassified Item</u> | | | |
| Item No. 10 | (4,652) | 0 | (4,652) |
| Total RPTTF authorized | 418,174 | 17,513,359 | \$ 17,931,533 |
| Total Administrative RPTTF authorized | 192,715 | 192,715 | \$ 385,430 |
| Total RPTTF approved for distribution | 610,889 | 17,706,074 | \$ 18,316,963 |